

Message Text

SECRET

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ACTION SS-25

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FM USLO PEKING
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S E C R E T SECTION 1 OF 3 PEKING 587

EXDIS

DEPT MAY WISH TO PASS TO HONG KONG, TAIPEI AND CINCPAC FOR POLAD

E.O.11652: XGDS-3
TAGS: AMGT PFOR CH
SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: (A) CERP 0001, (B) STATE 38356, (C) STATE 38338
(D) STATE 43659, (E) STATE 57822

PART I

A. U.S. INTERESTS

1. AS S/P'S DISCUSSION (REF C) INDICATES,
OUR MOST IMPORTANT INTEREST IN THE PRC IS GEOPOLITICAL,
ROOTED IN OUR AND THE PRC'S COMMON CONCERN TO CHECK
SOVIET EXPANSIONISM.

2. OUR OTHER MAIN INTEREST IS TO REDUCE
BILATERAL TENSIONS AND EXPAND THE AREA OF BILATERAL
COOPERATION. THE GEOPOLITICAL INTERESTS NOW HOLDING
THE U.S. AND PRC TOGETHER COULD ATTENUATE OVER TIME;
AND THE PRC HAS THE LONG-TERM POTENTIAL TO BECOME
A MUCH MORE POWERFUL ADVERSARY THAN IT IS NOW. WE
SHOULD BE LAYING THE BASIS FOR A RELATIONSHIP IN WHICH SHARED

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BILATERAL INTERESTS--TRADE AND OTHERS--HAVE A STRONG STABILIZING
EFFECT.

3. FOR SOME TIME THE PRC HAS BEEN TRYING
TO CONVINCE US THAT FURTHER IMPROVEMENT IN OUR
BILATERAL RELATIONS WILL, BY AND LARGE, HAVE TO AWAIT
NORMALIZATION ON THE BASIS OF PEKING'S THREE CONDITIONS.

TO AGREE TO EASIER TERMS, THE PRC PROBABLY WOULD HAVE
TO FEEL FAR MORE THREATENED BY THE SOVIETS. THE
STRATEGIC BALANCE SEEMS MOST UNLIKELY TO SHIFT THAT
MUCH AND IT IS NOT IN OUR INTEREST THAT IT SHOULD.

4. WHETHER OR NOT CHINA CAN ACHIEVE ITS GOAL
OF BECOMING A "POWERFUL MODERN SOCIALIST NATION"
WITHIN 25 YEARS IS DEBATABLE. CERTAINLY IT CAN
PROGRESS MORE EFFICIENTLY WITH THE U.S. AS A TRADING
PARTNER AND TECHNOLOGY SOURCE, BUT IT CAN ACQUIRE A GREAT DEAL
OF WHAT IT NEEDS THROUGH ACCESS TO THE JAPANESE AND WEST EUROPEAN
MARKETS AND TECHNOLOGY.

5. IT IS ALSO IN OUR INTEREST TO HAVE THE PRC
JOIN THE WORLD, IN THE SENSE OF REDUCING ITS AUTARKY
AND OF WORKING WITH THE INTERNATIONAL COMMUNITY IN
SEEKING SOLUTIONS TO WORLD ECONOMIC PROBLEMS.
CHANGE IN THESE DIRECTIONS WILL BE SLOW IN COMING.

6. KEEPING THE PRC AS A LIMITED-PURPOSE ALLY OF
SORTS AND DEVELOPING A SOUND BILATERAL RELATIONSHIP
ARE INTERESTS THAT WILL BE UNDERCUT IF WE TRY TO MAINTAIN OUR PRESENT
OFFICIAL RELATIONSHIP WITH TAIWAN. THIS IS A LONG-RANGE
GENERALIZATION, HOWEVER, AND PERHAPS UNNECESSARY IN VIEW OF THE S/P
GUIDANCE THAT BY FY 1979 "NORMALIZATION SHOULD HAVE MADE MAJOR HEAD-
WAY".

B. OVERVIEW

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1. WE AGREE WITH S/P'S JUDGMENTS, INCLUDING
ITS WORDS OF CAUTION, ABOUT TRENDS IN THE U.S.-SOVIET-
CHINESE TRIANGULAR RELATIONSHIP THROUGH THE FORE-
CAST PERIOD. THROUGH MUCH AND PERHAPS ALL OF THIS PERIOD THE
PRC WILL BE PREOCCUPIED WITH DOMESTIC PROBLEMS, BOTH
POLITICAL AND ECONOMIC--THE LATTER BEING THE MORE
DIFFICULT AND PRESSING.

2. WATCHING US APPLY OUR POLICIES ON NONPRO-
LIFERATION, CONVENTIONAL ARMS TRANSFERS AND HUMAN
RIGHTS TO THIRD PARTIES, PEKING WILL WELCOME ANY
NEGATIVE EFFECTS ON SOVIET-U.S. DETENTE AND WILL
WORRY ABOUT ANY SOVIET GAINS FROM DIFFERENCES BETWEEN
THE U.S. AND ITS FRIENDS. AS FOR APPLICATION OF THESE

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S E C R E T SECTION 2 OF 3 PEKING 0587

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C O R R E C T E D C O P Y FOR MRN (0587 VICE 5587)

POLICIES TO CHINA, THE PRC'S PRACTICE THUS FAR SUG-
GESTS IT WILL NOT ASSOCIATE ITSELF WITH NONPROLIFERA-
TION BUT ALSO WILL NOT BE A BIG OFFENDER. THE PRC'S
CONVENTIONAL ARMS AID (MUCH LESS THAN THE USSR'S)
TO THIRD WORLD COUNTRIES WILL CONTINUE AS AN INSTRUMENT OF ITS
THIRD WORLD AND ANTI-
SOVIET POLICIES. HUMAN RIGHTS PROMISES TO BE A TOUGH
ISSUE; THERE ARE ALREADY PROBLEMS INVOLVING DUAL NATIONALS
AND FAMILY MEMBERS OF U.S. CITIZENS, AND A REUNIFICATION OF FAMILIES
AGREEMENT IS ONE OF THE MINIMUM REQUIREMENTS FOR GRANTING MFN
BENEFITS. REAL FRICTION IS A CERTAINTY IF THE NEAR
TOTAL ABSENCE OF CIVIL LIBERTIES IN CHINA BECOMES A MAJOR ISSUE.

3. WITH OR WITHOUT NORMALIZATION, CHINA'S ROLE IN MULTILATERAL
POLITICAL AFFAIRS IS LIKELY TO REMAIN MOSTLY NEUTRAL OR NEGATIVE.

4. WITH NORMALIZATION, WE EXPECT IMPROVED ACCESS
FOR AMERICAN BUSINESS AND SOME INCREASE IN TRADE,
PRIMARILY THROUGH A REDUCTION IN THE DISADVANTAGES

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TO WHICH AMERICAN EXPORTS NOW ARE SUBJECT.

5. WHILE OUR OWN NORMALIZATION OF RELATIONS WILL IT-SELF CONTRIBUTE TO SOME EXTENT TO BRINGING CHINA INTO THE INTERNATIONAL ECONOMIC COMMUNITY, WE EXPECT LITTLE ADDITIONAL NEAR-TERM PROGRESS IN THAT DIRECTION BEYOND A MODEST INCREASE IN TOTAL WORLD TRADE. THE PRC WILL CONTINUE TO BE ESSENTIALLY A NONPARTICIPANT IN EFFORTS TO FIND SOLUTIONS TO INTERNATIONAL ECONOMIC PROBLEMS--WHILE CRITICIZING US TO BUILD UP CHINA'S POLITICAL STOCK WITH THE THIRD WORLD.

6. S/P'S PROJECTION THAT BY FY 1979 "NORMALIZATION SHOULD HAVE MADE MAJOR HEADWAY AND WE SHOULD BE IN THE PROCESS OF DEEPENING THE RELATIONSHIP" MUST MEAN THAT WE EXPECT TO HAVE ESTABLISHED DIPLOMATIC RELATIONS. FOR THE CHINESE NORMALIZATION IS NOT A PROCESS BUT THAT ONE SPECIFIC EVENT. GIVEN THE NATURE OF THE CHINESE SYSTEM THERE ARE AT BEST STRICT LIMITS ON HOW MUCH OUR BILATERAL TIES CAN BE DEVELOPED, BUT WE CAN CONCLUDE BY NOW THAT WITHOUT DIPLOMATIC RELATIONS THERE IS NOT MUCH PROSPECT AT ALL OF "DEEPENING THE RELATIONSHIP."

7. FOR THE FORECAST PERIOD ONE CAN ASSUME THAT SHARED GEOPOLITICAL INTERESTS PUT A FLOOR UNDER OUR BILATERAL RELATIONS. MOREOVER, THE CHINESE HAVE FOUND PRESENT ARRANGEMENTS FOR OUR BILATERAL DEALINGS TO HAVE CONSIDERABLE UTILITY. WITHOUT NORMALIZATION AS DEFINED ABOVE, THE PROSPECT OVER-ALL IS MORE OF THE CURRENT BILATERAL PATTERN:

--GENERAL POLITICAL RESTRICTIONS ON CHINESE IMPORTS FROM THE U.S. WHILE THE CHINESE CONTINUE TO ACQUIRE SOME U.S. TECHNOLOGY AND TO INCREASE THEIR EXPORTS TO THE U.S. EVEN AT COLUMN II RATES;
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--FROZEN OFFICIAL RELATIONS WHILE AT THE "PEOPLE TO PEOPLE" LEVEL THE PRC TRIES TO USE ITS ACCESS TO OUR SOCIETY (AND THE DIMINISHING PRIZE OF VISITING CATHAY) IN A UNITED FRONT CAMPAIGN TO BUILD U.S. DOMESTIC SUPPORT FOR PRC POSITIONS.

SOME AGREEMENTS IN THE TRADE AREA MAY BE POSSIBLE BEFORE NORMALIZATION AS THE CHINESE WOULD LIKE TO MAKE THEIR EXPORTS MORE COMPETITIVE IN THE U.S. MARKET.

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S E C R E T SECTION 3 OF 3 PEKING 587

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C. OBJECTIVES, COURSES OF ACTIONS AND ISSUES

1. THE PRINCIPAL OVER-ALL U.S. OBJECTIVE IS TO
MAINTAIN THE VIABILITY OF THE U.S.-SOVIET-CHINESE
TRIANGLE AS A FACTOR REDUCING THE LIKELIHOOD OF WAR.

2. WE EXPECT THAT FOR THE NEXT
SEVERAL YEARS THIS OBJECTIVE WILL CONTINUE TO BE
SERVED BY POLICIES THE U.S. AND PRC SEPARATELY, AND
EACH SOLELY IN ITS OWN NATIONAL INTEREST, PURSUE
TOWARD THE SOVIET UNION. BUT THE COMMUNICATION WHICH HAS BEEN
TAKING PLACE BETWEEN OUR TWO GOVERNMENTS IS VALUABLE, NOT LEAST IN
INFORMING THE CHINESE OF WHERE THE DISTINCTIONS
LIE BETWEEN THE STRATEGIC AND THE TACTICAL IN U.S. POLICY
TOWARD THE USSR.

3. THE OTHER PRINCIPAL U.S. OBJECTIVE IS TO
NORMALIZE U.S.-PRC RELATIONS AT MINIMAL COST TO
OTHER U.S. INTERESTS.

4. MY VIEWS ON THE GENERAL LINES OF HOW WE
SHOULD PROCEED ARE STATED IN MY LETTER OF DECEMBER 1,
1976 AND IN 1977 PEKING 451.

5. NEGOTIATIONS WITH THE CHINESE LEADING UP
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TO A FORMAL AGREEMENT TO ESTABLISH DIPLOMATIC

RELATIONS AND EXCHANGE AMBASSADORS--ONE WOULD HOPE THE COMMUNIQUE SAID NOTHING MORE THAN THAT--SHOULD ALSO YIELD AN AGREEMENT ON EXCHANGE OF PROPERTIES FOR EMBASSIES.

6. IN CONNECTION WITH ESTABLISHING DIPLOMATIC RELATIONS WE AND THE CHINESE SHOULD BE ABLE ALSO TO AGREE ON ARRANGEMENTS TO BROADEN AND SOMEWHAT DEEPEN BOTH OFFICIAL AND "PEOPLE TO PEOPLE" CONTACTS.

7. THE POST'S LIST OF SUCH AGREEMENTS MUST BE ABOUT THE SAME AS THE DEPARTMENT'S:

- CLAIMS/ASSETS
- BANKING
- REUNIFICATION OF FAMILIES
- TRADE
- PRC TEXTILE EXPORT RESTRAINTS
- COMMERCIAL NAVIGATION TREATY
- CIVIL AIR ROUTES
- CONSULAR RELATIONS, INCLUDING AGREEMENT ON RECIPROCAL ESTABLISHMENT OF TWO OR MORE CONSULAR POSTS AND CONSULAR ACCESS TO U.S. NATIONALS THROUGHOUT CHINA.
- CULTURAL AND SCIENTIFIC/TECHNOLOGICAL EXCHANGES, INCLUDING LONG-TERM JOINT RESEARCH PROJECTS AND TEACHER AND STUDENT EXCHANGES
- EXCHANGE OF RESIDENT JOURNALISTS
- COPYRIGHTS AND TRADE MARKS
- PATENTS

AS NOTED BEFORE SOME AGREEMENTS IN THE COMMERCIAL AREA MIGHT BE CONCLUDED BEFORE NORMALIZATION. A CLAIMS/ASSETS SETTLEMENT IS ALREADY BEING NEGOTIATED.

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8. EXPANSION OF FACILITATED CULTURAL AND SCIENTIFIC/ CULTURAL EXCHANGES COULD TAKE PLACE IN THE FRAMEWORK OF THE CURRENT "PEOPLE TO PEOPLE" ARRANGEMENTS, BUT A MORE DIRECT US GOVERNMENT ROLE IS DESIRABLE, AND THE USG SHOULD DIRECTLY ADMINISTER TEACHER AND STUDENT EXCHANGES.

9. THE NEGOTIATION OF A TRADE AGREEMENT, WHICH THE CHINESE DESIRE TO MAKE THEIR EXPORTS MORE COMPETITIVE IN THE U.S. MARKET, WILL RAISE THE PROBLEM OF THE JACKSON-VANEK AMENDMENT AND CHINESE RESTRICTIONS ON EMIGRATION. AS NOTED BEFORE, AN AGREEMENT ON

REUNIFICATION OF FAMILIES APPEARS A MINIMUM REQUIREMENT. THE TRADE AGREEMENT SHOULD COVER A NUMBER OF DETAILS OF OUR FUTURE COMMERCIAL RELATIONSHIP, INCLUDING ARBITRATION OF DISPUTES, EXCHANGES OF ECONOMIC DELEGATIONS AND EXHIBITIONS, MOST-FAVORED NATION TREATMENT FOR THE TWO PARTIES ON TARIFFS AND OTHER TRADE MATTERS, AND RESIDENCE PERMITS AND OTHER FACILITIES FOR AMERICAN BUSINESSMEN IN CHINA.

10. THE PRC WOULD LIKE FAVORABLE TREATMENT IN THE ADMINISTRATION OF U.S. EXPORT CONTROL LEGISLATION, WHICH WOULD AUTOMATICALLY INVOLVE THE QUESTION OF EQUAL TREATMENT FOR THE USSR. HOWEVER, IT IS NOT LIKELY TO PRESS VERY HARD ON THIS ISSUE.

11. WE SHOULD TRY TO ENSURE THAT NORMALIZATION OF RELATIONS MEANS THAT THE PRC EASES ITS POLICY OF REFUSING TO FILL OUT USG FORMS AND HAVE ANYTHING TO DO WITH THE IMPLEMENTATION OF OUR REGULATIONS. WE MAY GET INCREASED COOPERATION IN IMPORT MATTERS SUCH AS INSPECTION OF LOW-ACID CANNED GOODS AND SEA FOOD, AND PERHAPS EVENTUALLY IN USDA EXCHANGES, BUT THE EXTENT OF THE PRC'S COOPERATION IS LIMITED,
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EVEN WITH ITS CLOSEST TRADING PARTNERS.
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